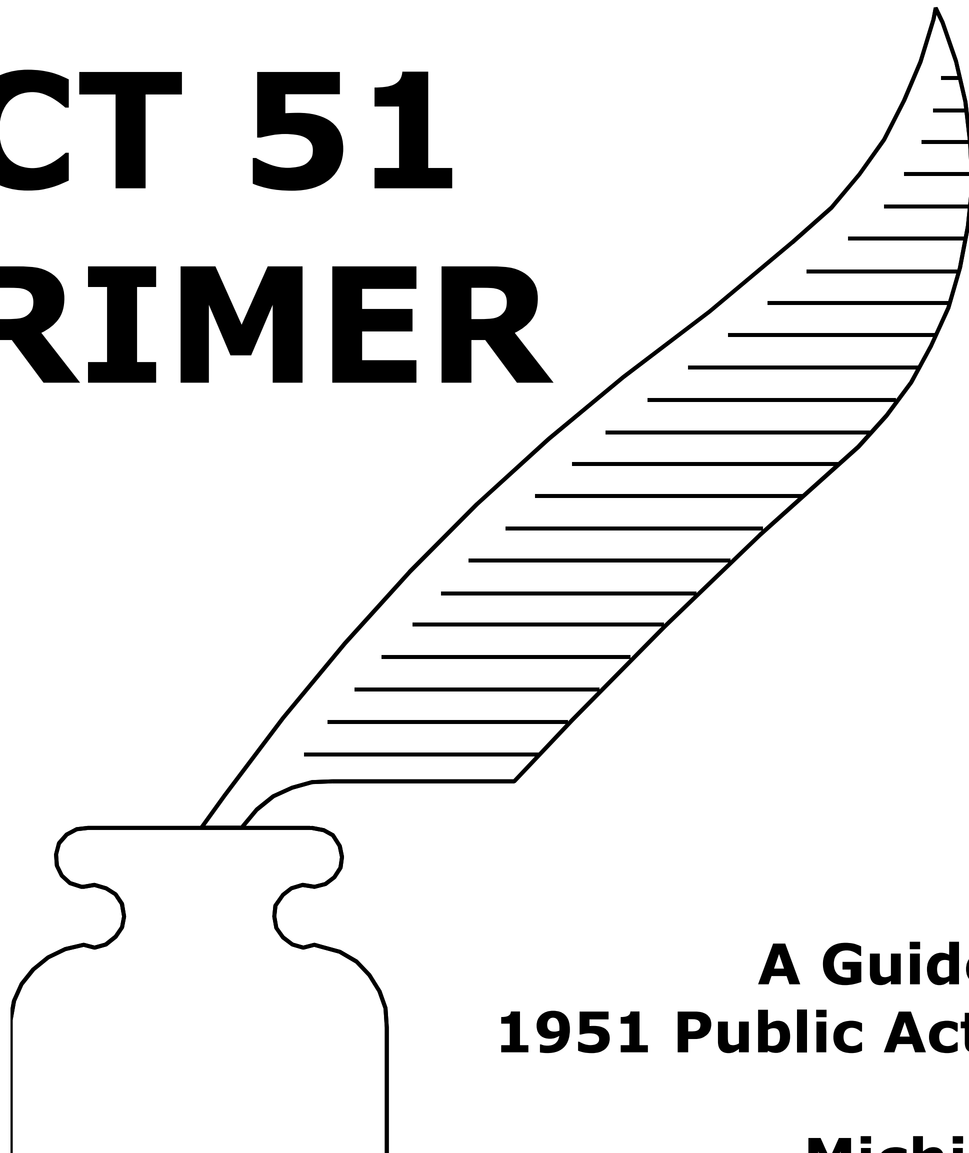
ACT 51 PRIMER



A Guide to 1951 Public Act 51 *and* Michigan Transportation Funding

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Forward

Public Act 51 of 1951, known simply as "Act 51," governs state appropriations for most Michigan transportation programs, including state and local highway programs and state and local public transportation programs. This report was prepared as a primer on Act 51 and how Act 51 controls state transportation funding.

This report:

- Describes transportation revenue sources governed by Act 51
- Describes transportation programs governed by Act 51
- Discusses recent legislative activity related to Act 51

Abbreviations for Public Act (PA), House Bill (HB), and Senate Bill (SB) are used throughout this report.

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Act 51 Governs Appropriations

Michigan Transportation Fund (MTF) Distribution

Public Act (PA) 51 of 1951, known simply as "Act 51," governs state appropriations for most Michigan transportation programs.[1] Act 51 channels state restricted transportation revenue into special revenue funds, then directs how those funds are spent.

Most state-generated transportation revenue is derived from motor fuel taxes and vehicle title and registration fees. These revenue sources are expected to bring in approximately $2.0 billion for state transportation programs in the 2002-03 fiscal year (FY).[2] Act 51 creates the Michigan Transportation Fund (MTF) as the main collection and distribution fund for these state-generated transportation revenues.

Act 51 directs the distribution of MTF funds to other state transportation funds, to special program accounts, and to local units of government. Primary recipients of MTF funds are:

- **State Trunkline Fund (STF)**
  For construction and maintenance of state trunkline roads and bridges and administration of the Michigan Department of Transportation (MDOT)

- **Local Road Agencies**
  For local road programs of 83 county road commissions and 535 incorporated cities and villages

- **Comprehensive Transportation Fund (CTF)**
  For public transportation programs including capital and operating assistance to the state's 75 public transit agencies

The effect of the Act 51 distribution formula is to allocate state restricted transportation funds between highway programs and public transportation programs, and highway funds between the state and local road agencies.[3]

Other Act 51 Provisions

In addition to creating the MTF and providing the formula for distribution of MTF funds, Act 51:

- Provides "internal" formulas which direct how STF and CTF funds are spent. Act 51 earmarks fixed dollar amounts or percentage distributions for STF and CTF programs and/or determines the priority order for funding those programs.

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[1] Pubic Act 51 of 1951 as amended is compiled as MCL 247.651 et. seq.

[2] Based on Michigan Department of Treasury, Office of Revenue and Tax Analysis (ORTA), revenue estimate for FY 2002-03 made May 7, 2002.

[3] For purposes of this report, "Highway programs" are the road and bridge construction and maintenance programs of the Michigan Department of Transportation and local road agencies. "Public transportation programs" are programs which provide operating or capital assistance to the state's public transit agencies, or which help support intercity bus, rail passenger, and rail freight service. The above description greatly simplifies the fairly complicated Act 51 MTF distribution formula. See Appendices A and E for a more detailed breakdown of the MTF distribution.

- Provides "internal" formulas which direct how local road agencies can spend their distribution of MTF money. For example, Act 51 prescribes how much county road commissions can spend on local county roads versus primary county roads and limits how much can be spent on construction versus maintenance.

- Directs the distribution of federal highway funds between MDOT and local road agencies. After excluding certain federal program categories, Act 51 directs that an average of 75% of federal highway funds be allocated to MDOT and 25% to local road agencies.

- Creates a number of compliance and reporting requirements for MDOT and local road agencies—the "rules" for spending state transportation funds.

In order to fully understand what Act 51 does, it is important to look at the revenues and major programs that comprise the state transportation budget and which are subject to Act 51.

Transportation Revenue

Michigan's state transportation budget, which totals $3.1 billion for FY 2002-03, has three main sources of revenue: state, federal, and local.

Transportation Budget: FY 2002-03
2002 PA 561
Summary by Revenue Source

	Revenue	% of Total Gross
State Funds	$2,122,964,400	68.7%
Federal Funds	963,136,100	31.1%
Local Funds	5,800,000	0.2%
Gross Appropriation	**$3,091,900,500**	**100.0%**

State Funds

As the above table shows, state-generated revenue sources comprise the largest part of the state transportation budget—estimated at over $2.1 billion for FY 2002-03. Nearly all of this state-generated transportation revenue comes from state motor fuel taxes and vehicle title and registration fees.

Motor fuel taxes, which include the state's 19-cent per gallon gasoline excise tax, as well as diesel fuel taxes, account for about half of all state-generated transportation revenue. By itself, the 19-cent per gallon gas tax is expected to produce approximately $940 million for state transportation programs in FY 2002-03.

Vehicle title and registration fees, collected by the Michigan Secretary of State, represent the other major source of state transportation revenue. These fees are estimated at $850 million for FY 2002-03.

Both of these revenue sources, state motor fuel taxes, and vehicle title and registration fees, are *state restricted* revenue. According to the 1963 Michigan Constitution, these revenue sources "shall, after payment of necessary collection expenses, be used exclusively for transportation purposes…" [4]

These restricted funds are first credited to the MTF and then distributed to other funds and programs. Generally speaking, all of the state-generated revenue in the transportation budget is restricted revenue. The state transportation budget receives no GF/GP money from the state.

[4] The specific language of the 1963 Michigan Constitution regarding use of motor fuel taxes and motor vehicle registrations for transportation purposes is found in Article IX, Section 9.

Federal Funds

The other major source of revenue for Michigan's transportation budget is the federal government. Major federal support for state transportation programs began in 1956 with the passage of the Federal-Aid Highway Act. In recent years, federal aid programs for transportation have been authorized and defined by multi-year authorization acts including the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and its successor, the Transportation Equity Act for the 21st Century (TEA-21) enacted in June of 1998.

Federal transportation funds are distributed to the states through several program categories. States, in turn, have responsibility for administering the programs in accordance with federal guidelines. TEA-21 authorizes federal aid for both highway and public transportation programs.

Federal funds appropriated in the Michigan transportation budget averaged $870 million per year for the five fiscal years following the enactment of TEA-21 (FY 1997-98 through FY 2001-02). This represented approximately one third (1/3) of the state transportation budget.

Federal transportation funds are primarily generated from motor fuel taxes—including a 18.4-cent per gallon federal gasoline excise tax. For every gallon of gasoline pumped, the Michigan motorist pays a 19 cent Michigan excise tax and an 18.4 cent federal excise tax—a total of over 37 cents per gallon.[5]

TEA-21 authorized the federal transportation program for a six-year period ending September 2003. Congress is expected to work on TEA-21 reauthorization during 2003.

NOTE ON FEDERAL FUNDS

Unlike the MTF distribution, which is a formula allocation to all eligible road agencies, the federal-aid highway program is a reimbursement program. Federal funds participate only in capital improvement projects on federal aid-eligible roads and bridges.

> Of the state's 120,256 road miles, approximately 33,000 are on the federal-aid system.
>
> The federal share of most TEA-21 highway programs is 80% of project cost.
>
> Federal funds may not be used for routine or reactive maintenance.

Federal aid projects are selected through a federally-mandated planning process—a process that requires participation of local units of government. In urbanized areas, this planning process is administered by the applicable metropolitan planning organization. In non-urbanized areas the process is conducted by ad hoc "rural task forces" made up of local units of government.

Although Act 51 requires that an average of 25% of certain federal aid program categories be allocated for local road agency projects, there is no required amount or percentage allocation to any particular local road agency.

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[5] These excise taxes are taxes levied based on volume—in this case based on gallons of gasoline. Michigan also levies a 6% sales tax based on the dollar amount of the gasoline purchase; it is one of just eight states to do so. Sales tax on motor fuel is not constitutionally dedicated to transportation, although the Constitution (Article IX, Section 9) does allow *up to* 25% of the sales tax on sales of motor fuels, motor vehicles, and motor vehicle parts and accessories to be used for comprehensive transportation. The Sales Tax Act currently dedicates a share of the motor vehicle-related sales tax (effectively 4.65%) to the Comprehensive Transportation Fund (CTF).

Local Funds

Funds from local units of government represent the final revenue source in the state transportation budget. Section 1c of Act 51 (MCL 247.651c) requires that incorporated cities and villages participate in the cost of construction or reconstruction of state trunkline highways within cities and villages. This section recognizes that state trunklines also serve strictly local traffic.

In addition, public transit agencies are required to provide a local match in order to obtain grants from some Federal Transit Administration programs. Appropriated revenue from local sources in the state transportation budget is estimated at $5.8 million for FY 2002-03—less than 1% of the budget.

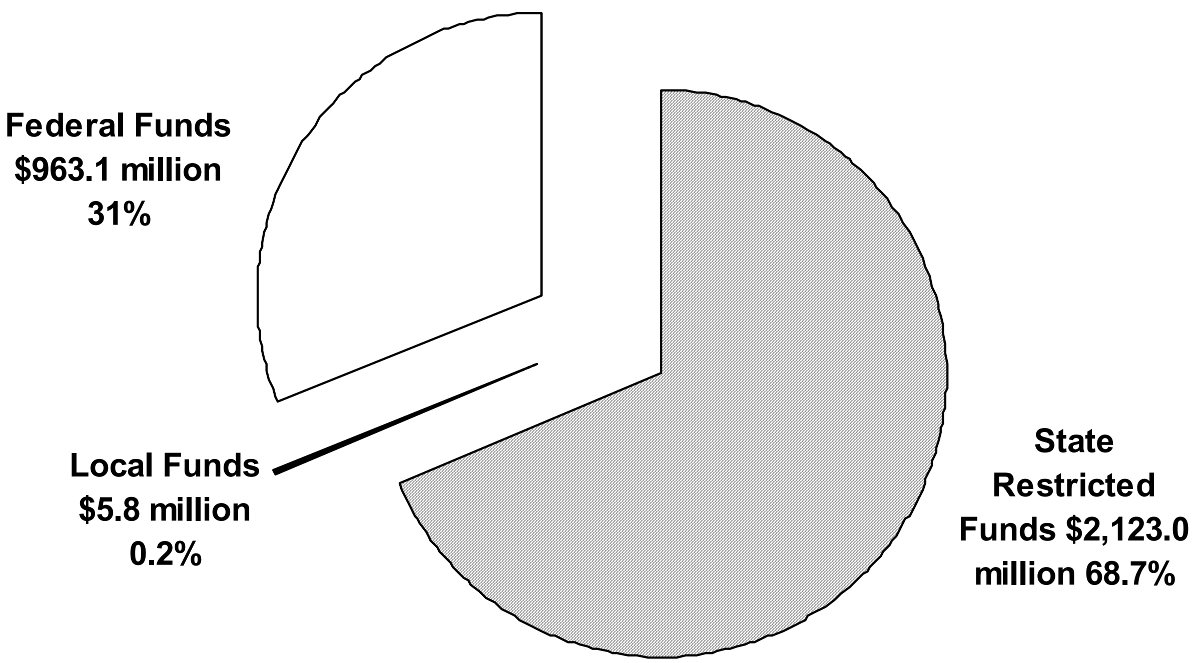
NOTE ON LOCAL FUNDS

The Local Revenue fund source in the state transportation budget provides MDOT with the authority to receive and expend local funds.

It *does not* represent all the funds expended directly by local units of government on local transportation programs.

In addition to the $5.8 million shown in the FY 2002-03 state budget, local units of government (counties, cities, villages, and townships) expend millions more in locally-generated funds on local highway and public transportation programs.

FY 2002-03 Transportation Budget



State of Michigan: FY 2002-03 Appropriated Revenue
2002 PA 561
Sources of State Transportation Funding

	Revenue Estimate		% of State Revenue	% of Total Revenue
State Gasoline Tax (at 19 cents/gallon)	$959,000,000	1		
Less: Recreation Improvement Fund	(18,975,500)	2		
Gasoline Tax Subtotal	**$940,024,500**		**43.77%**	**30.40%**
State Diesel Fuel Taxes	$139,000,000		6.47%	4.50%
LP Gas Tax	970,000		0.05%	0.03%
Vehicle Title and Registration Fees	850,000,000		39.58%	27.49%
Interest/Other	62,696,00		2.92%	2.03%
Subtotal	**$1,992,690,500**	3	**92.79%**	**64.45%**
Auto-Related Sales Tax	74,500,000	4	3.47%	2.41%
Drivers' License Fees	13,000,000	5	0.61%	0.42%
Miscellaneous, Interest, Other	54,473,900		2.55%	1.76%
Total State Revenues	**$2,122,964,400**	6	**100.00%**	**68.66%**
Federal Revenue	963,136,100	6		31.15%
Local Revenue	5,800,000			0.19%
Total Appropriated Revenue	**$3,091,900,500**	6		**100.00%**

NOTES:

1 *The 19-cent/gallon gasoline tax generates $50.5 million per 1 cent of tax.*

2 *PA 451 of 1994 (MCL 324.71101) provides for the Recreation Improvement Fund to receive 2% of the gasoline tax, less collection costs, to reflect uses of gasoline for recreational uses in watercraft, off-road vehicles, and snowmobiles.*

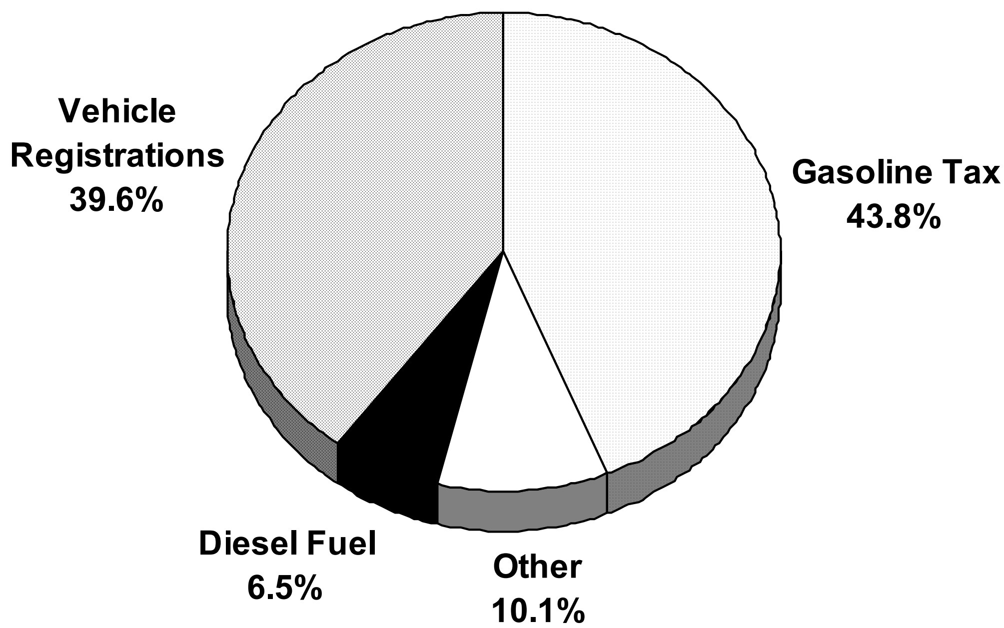
3 *This subtotal represents the estimated revenue for credit to the Michigan Transportation Fund (MTF).*

4 *The Comprehensive Transportation Fund (CTF) receives a portion (effectively 4.65%) of auto-related sales tax collections.*

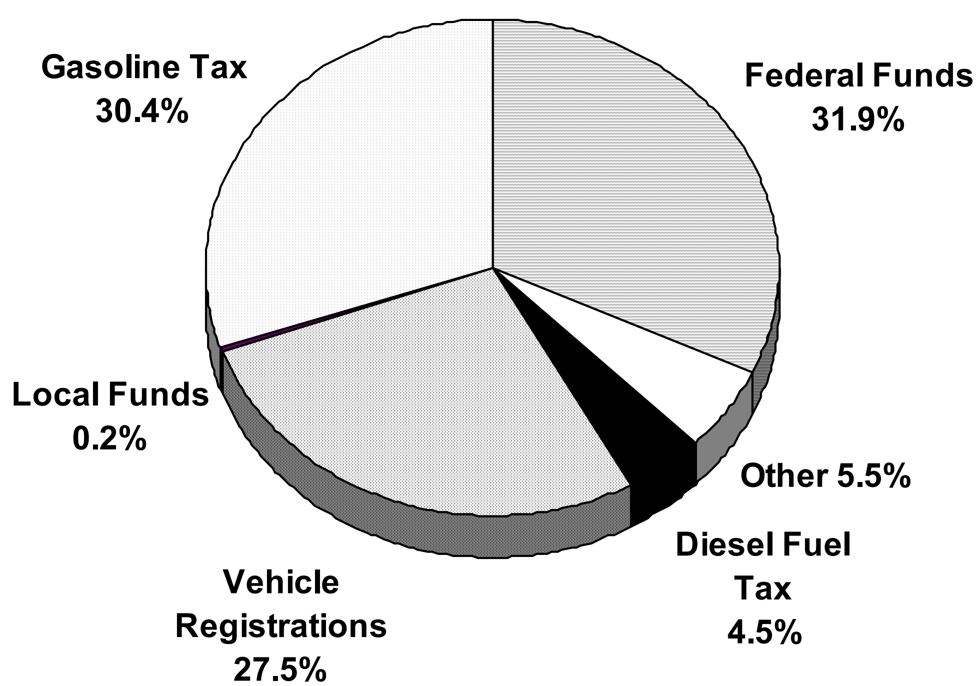
5 *The Transportation Economic Development Fund (TEDF) receives a portion of certain drivers license fee revenue.*

6 *The state revenue amounts shown in this table represent Michigan Department of Treasury, Office of Revenue and Tax Analysis estimates at May 7, 2002, which were the basis for 2002 PA 561, the FY 2002-03 transportation appropriations act. Federal revenue was estimated by the Michigan Department of Transportation based on the prior year's federal funding authorizations. Revenue estimates have been adjusted to balance to the appropriated amount in PA 561; they do not include $33.3 million vetoed by the Governor or $11.6 million appropriated in the Capital Outlay budget.*

FY 2002-03 State Transportation Funding
State Sources of Transportation Revenue



FY 2002-03 State Transportation Funding
All Sources of Transportation Revenue



Transportation Programs

There are three major program areas in the state transportation budget:

- Highway Construction and Maintenance Program
- Public Transportation Program
- Aeronautics Program [6]

The Highway and Public Transportation programs are governed by Act 51 and will be discussed further below. The Aeronautics program is governed by the State Aeronautics Code and is not discussed further in this document.

State of Michigan: FY 2002-03
2002 PA 561
Summary of Appropriation by Transportation Program

	Appropriation	% of Total Gross
Highway Programs	$2,785,612,700	90.1%
Public Transportation	294,201,000	9.5%
Aeronautics	12,086,800	0.4%
Gross Appropriations	**$3,091,900,500**	**100.0%**

[6] Although Aeronautics programs represent less than 1% of the state Transportation budget ($12.1 million in FY 2002-03), additional funds for Aeronautics Airport Improvement Programs appear in the Capital Outlay budget.

Highway Construction and Maintenance

Highway construction and maintenance programs represent approximately 90% of the state transportation budget—approximately $2.8 billion for FY 2002-03. This program is carried out, in part, by the state of Michigan through the Michigan Department of Transportation (MDOT) and, in part, by local road agencies. As a result, Act 51 divides highway funds, including both state-generated and federal funds, between MDOT and local road agencies.

FY 2002-03
2002 PA 561
Transportation Appropriations—Highway Programs

	MDOT	Local Road Agencies	Total
State Funds	$866,920,100	$1,001,206,500	$1,868,126,600
Federal Funds	697,354,100	215,132,000	912,486,100
Local Funds	5,000,000	0	5,000,000
Total	**$1,569,274,200**	**$1,216,338,500**	**$2,785,612,700**
Percentage	**56.3%**	**43.7%**	

NOTE:
Local road agencies are county road commissions, cities, and villages. In some cases, the classification of appropriations as "MDOT" or "Local Road Agency" for this table is based on the judgement of HFA analyst.

As noted previously, Act 51 provides a formula for distribution of state-generated MTF funds between MDOT and local road agencies. The Department's share of the MTF distribution is credited to the State Trunkline Fund (STF) for construction and maintenance of state trunkline highways and for MDOT administration. The local share of MTF funds is distributed to county road commissions and cities and villages for construction and maintenance of roads controlled by those units of government. Act 51 also directs how federal highway funds are distributed. After excluding funds related to some specific federal highway programs, Act 51 requires that federal funds, on average, be allocated 75:25 between MDOT and local road agencies.

In the current fiscal year, MDOT's share of appropriated highway funds will be approximately $1.57 billion—about 56% of all the highway funds in the transportation budget.

Local road agencies (county road commissions and incorporated cities and villages) receive the remaining 44% of the appropriated highway funds—approximately $1.2 billion for FY 2002-03.

NOTE ON STATE/LOCAL DISTRIBUTION

This breakdown of highway funds, 56% to the state and 44% to local road agencies, reflects the *total* Act 51 distribution of all state and federal highway funds in the state transportation budget, and not just the *final* Act 51 formula distribution of MTF funds: 39.1% to the state, 39.1% to county road commissions, and 21.8% to cities and villages.

Road Jurisdiction

Discussion of the allocation of highway funds between the state and local units of government leads to the subject of road jurisdiction. Act 51 allocates highway funds between MDOT and local road agencies because in Michigan there are three separate governmental entities which have responsibility for the state's roads:

- State of Michigan (MDOT)
- 83 County Road Commissions
- 535 incorporated cities and villages[7]

The state has jurisdictional responsibility for 9,716 miles of *state trunkline highways*. State trunklines are generally the state's heaviest traveled roads or are roads with a statewide purpose. State trunklines include all the interstate highways, plus the "M" and "US" numbered highways.

Although state trunklines represent only 8% of the state's road miles, they carry approximately 54% of the traffic. This is one rationale for Act 51 directing the largest share of highway funds to the state.

The state's 83 county road commissions are responsible for 89,755 miles of *county roads*. County roads represent 75% of the state's public roads but account for only 29% of the state's traffic.

Cities and villages are responsible for 20,785 miles of *municipal streets*, representing about 17% of the state's public route miles and 17% of total state traffic.

Similarly, only 4,424 (41%) of Michigan's 10,733 bridges (non-culvert) are on state trunkline highways, with the balance on local roads. Since many of the state trunkline bridges are on multi-lane expressways, they carry more traffic than local bridges and represent 76% of total bridge deck area. See tables on following page.

NOTE ON TOWNSHIPS

Townships do not have jurisdiction over public roads in the Michigan; there are no "township roads" recognized in state law. Furthermore, townships are not legally required to contribute to the construction, reconstruction, or maintenance of county roads. However, Section 14 (6) of Act 51 does permit townships to contribute to the cost of maintenance or improvement of the local county road system.

Because Section 12(15) limits how much county road commissions can spend of their MTF distribution on county local road construction to 50% and county local road bridge construction to 75%, the remaining costs for these types of projects must be provided by other sources—often township contributions.

Michigan townships contributed approximately $90.1 million for local county road improvements in FY 2001—the most recent complete year of data.

[7] For this document, all 83 county road agencies are referred to as "road commissions." In fact, Wayne County does not have a separate road commission. Wayne County roads are managed by the Wayne County Department of Public Services under the authority of the Wayne County Board of Commissioners.

Michigan Road Jurisdictions

	Route Miles		Vehicle Miles	
	Miles	% of Total	Traveled	% of Total
State Trunklines	9,716	8.1%	51.7 billion	53.5%
County Roads	89,755	74.6%	28.5 billion	29.5%
City/Village Streets	20,785	17.3%	16.4 billion	17.0%
Total	**120,256**	**100.0%**	**96.6 billion**	**100.0%**

Source: 2001 data from MDOT Bureau of Transportation Planning, Asset Management Division

Michigan Bridges

	Structures		Deck Area*		Average Daily Traffic	
State Trunkline	4,424	41.2%	4,507,000	75.5%	86,000,000	78.6%
County Roads	5,544	51.7%	1,035,000	17.3%	18,000,000	16.5%
City and Village	765	7.2%	430,000	7.2%	5,400,000	5.9%
Total	**10,733**	**100%**	**5,949,275**	**100%**	**109,400,000**	**100%**

*Deck area is in square meters.

Source: MDOT Bureau of Transportation Planning, National Bridge Inventory data as of November 2002

Public Transportation

Public Transportation programs in the state transportation budget are funded primarily from the Comprehensive Transportation Fund (CTF) and from federal funds. Act 51 establishes the CTF and allocates 10% of MTF revenues (after various statutory deductions) to the CTF. This transfer from the MTF to the CTF is the CTF's largest revenue source; it is estimated at $162.4 million for FY 2002-03.

Because the CTF receives its 10% share of MTF revenues after various statutory deductions from the MTF, the CTF's effective share of total MTF revenue is actually 8%. The most significant of these statutory deductions from the MTF is the earmark of 4 cents of the 19-cent per gallon gasoline excise tax for state and local highway programs.

The CTF also receives a statutory allocation of the sales tax on motor fuels, motor vehicles, and motor vehicle parts and accessories. This revenue source, estimated at $74.5 million for FY 2002-03, is credited directly to the CTF without first passing through the MTF.

Act 51 establishes the priority order for CTF appropriations and earmarks CTF funds for certain public transportation programs. Most of the budget's public transportation funds are used to provide operating and capital assistance to Michigan's 75 public transit agencies. In addition, public transportation funds help support intercity bus, rail passenger and rail freight service, and administration of the MDOT's Bureau of Urban and Public Transportation (UPTRAN).[8]

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[8] In 2002, the Department reorganized to combine UPTRAN and the Bureau of Aeronautics into a new Multi Modal Transportation Bureau. Because the new name has not attained general currency, the balance of this document will continue to refer to UPTRAN.

Current Transportation Funding Issues

Revenue Issue One

Although there is no GF/GP in the state Transportation budget, recent reductions in GF/GP revenue have affected transportation funding.

Interdepartmental Grants

As previously noted, the state Constitution restricts the use of motor fuel taxes and vehicle registration fees to transportation purposes—*after the payment of necessary collection expenses*. In FY 1996-97, $95.6 million was appropriated from the MTF to other state departments—primarily the Departments of State and Treasury—to reimburse those departments for the costs of collecting MTF revenue. In FY 1997-98, MTF grants to other state departments were reduced to $54.1 million. In the subsequent three fiscal years, MTF grants were at similar levels of funding—$56 million in FY 1998-99, $60.2 million in FY 1999-2000, and $55.9 million in FY 2000-01.

In FY 2001-02, Executive Order 2001-9 effectively increased the level of MTF grants in FY 2001-02 to $104.5 million.[9] The current-year (FY 2002-03) appropriation from the MTF to other state departments is $105.7 million. This recent increase in MTF grants to other state departments—of approximately $50 million per year—is in response to reduced GF/GP revenue. These increases effectively replace GF/GP funding in the Department of State and Treasury budgets with MTF revenue. At the same time, the increase in MTF grants to other departments reduces the amount of MTF funding available for transportation programs.

Suspension of BSF Transfer

Part of the funding for the Build Michigan III program involved the annual $35 million appropriation from the Countercyclical Budget and Economic Stabilization Fund (BSF) to the STF for a sixteen-year period starting in FY 2000-2001 and continuing through the fiscal year ending September 30, 2016. This transfer from the BSF to the STF was made in two fiscal years—FY 2000-01 and FY 2001-02. However, because of a shortfall in state GF/GP revenue, the $35 million appropriation was suspended for FY 2002-03 by 2002 PA 504 (HB 5883). The House Fiscal Agency estimates that the BSF balance will be $0 at the end of FY 2002-03 and FY 2003-04. As a result, it is unlikely that there will be a sufficient balance in the BSF to reinstate this appropriation in the near future.[10]

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[9] In addition to increasing MTF grants, Executive Order 2001-9 redirected $12.8 million from the CTF, and $2.3 million from the TEDF, to the General Fund. Executive Order 2001-9 is being challenged in a lawsuit initiated by the County Road Association of Michigan (*County Road Association of Michigan et al vs. John M. Engler et al*). Further GF/GP shortfalls in FY 2001-02 resulted in the subsequent Capital Outlay appropriation of $9.6 million from the CTF to support the Midfield Terminal project at Detroit-Wayne County Metro Airport. This appropriation, which was effected by 2002 PA 746 (HB 5705) used the CTF to replace GF/GP funds—the original fund source. Due to further shortfalls in GF/GP revenue in FY 2002-03, Executive Order 2003-3 replaced a $12 million GF/GP Capital Outlay appropriation for the Midfield Project with $12 million in CTF bond funds.

[10] See Appendix D for a more detailed description of Build Michigan III.

Revenue Issue Two

Federal revenues represent approximately one-third of the transportation budget—over $960 million in FY 2002-03. The size of the federal program in FY 2003-04 and beyond—and Michigan's share of federal funds from that program—will depend on the re-authorization of TEA-21.

APPENDICES

FY 2002-03 ESTIMATE OF CURRENT TRANSPORTATION TAX REVENUES AND DISTRIBUTIONS PER ACT 51

MICHIGAN TRANSPORTATION FUND
Net MTF Revenue = **$1,992,690,500**
(Motor fuel and vehicle registration taxes less 2% of gas tax to Recreation Improvement Fund)

MDOT Administration and Planning
$11,928,100

Grants – Other State Departments
$105,747,800
(collection costs)

Comprehensive Transportation Fund
$162,412,000
(10% of MTF after administration and collection and first five statutory grants)

Sales Tax
$74,500,000
additional funds to CTF (4.65% of sales tax on gas/automotive items)

Statutory Grants

Critical Bridge Fund	$ 5,000,000
Local Program Fund	$33,000,000

Statutory Grants

Rail Grade Crossing	$ 3,000,000
Critical Bridge Debt Service	$ 3,000,000
3¢ of Gas Tax	$151,421,000
1¢ for State Trunkline Bridges	$ 50,473,700
STF Debt Reduction	$ 43,000,000

Economic Development Fund
$40,275,000
($36,775,000 MTF + $3,500,000 earmarked for targeted industries)

Drivers License Fees
$13,000,000
additional funds to EDF

MTF BALANCE = $1,383,432,900
plus

3¢ of Gas Tax	$ 151,421,000
1¢ for State Trunkline Bridges	$ 50,473,700
STF Debt Reduction	$ 43,000,000
Local Program Fund	$ 33,000,000
Total to Distribute	***$1,661,327,600***

COUNTY ROAD COMMISSIONS
Total **= $621,313,900**

39.1 % of MTF Balance	$540,922,300
39.1% of 3¢ Gas Tax	$ 58,205,600
64.2% of Local Program Fund	$ 21,186,000

CITIES AND VILLAGES
Total **= $346,412,100**

21.8% of MTF Balance	$301,588,300
21.8% of 3¢ Gas Tax	$ 33,009,800
35.8% of Local Program Fund	$ 11,814,000

STATE TRUNKLINE FUND
Total = $**693,601,600**

39.1 % of MTF Balance	$540,922,300
39.1% of 3¢ Gas Tax	$ 59,205,600
1¢ for State Trunkline Bridges	$ 50,473,700
STF Debt Reduction	$ 43,000,000

Appendix B

Transportation Funds

Michigan Transportation Fund (MTF)

Act 51 creates the Michigan Transportation Fund as the primary collection and distribution fund for state transportation revenues. Approximately 90% of state-generated transportation revenue—primarily from the 19-cent per gallon gasoline excise tax, diesel fuel taxes, and motor vehicle registration fees—is first credited to the Michigan Transportation Fund (MTF). Act 51 provides a formula for the distribution of MTF funds to other state transportation funds, to special program accounts, and to local road agencies.

The three primary recipients of MTF funds are:

- **State Transportation Fund (STF)**
  For state highway construction and maintenance and for administration of the Michigan Department of Transportation (MDOT)

- **Local road agencies** (county road commissions, and incorporated cities and villages)
  For local highway programs

- **Comprehensive Transportation Fund (CTF)**
  For state and local public transportation programs—primarily capital and operating assistance for Michigan's 75 public transit agencies

The MTF does not carry a year-end fund balance; all funds are distributed each year in accordance with the Act 51 formula.

State Transportation Fund (STF)

This fund is created by Act 51 for construction and maintenance of the state trunkline system of roads and bridges and for administration of MDOT. About 90% of STF funds come from the formula distribution of MTF revenues noted above. Permit fees, interest income, and other miscellaneous revenue comprise the remaining 10%.

At the end of the fiscal year, unspent STF funds lapse back into the STF balance and are carried forward and appropriated for state trunkline road and bridge projects.

Comprehensive Transportation Fund (CTF)

This fund is created by Act 51 for public transportation purposes. Most CTF funds are used to provide capital and operating support for Michigan's 75 public transit agencies. The CTF also helps support intercity bus, rail passenger, and rail freight service, as well as administration of MDOT's Bureau of Urban and Public Transportation (UPTRAN).

The largest source of CTF revenue (approximately 70%) comes from a 10% share of MTF revenue after various statutory deductions from the MTF. The MTF distribution to the CTF is estimated to be $162.4 million in FY 2002-03. The other major source of CTF funds is a 4.65% share of the sales tax on motor fuels, motor vehicles, and motor vehicle-related products (estimated to be $74.5 million in FY 2002-03).

At the end of the fiscal year, unspent CTF funds lapse back into the CTF balance and are available for appropriation in subsequent fiscal years for public transportation purposes.

State Aeronautics Fund (SAF)

The State Aeronautics Fund (SAF) is dedicated to aviation development, safety regulation, and air service promotion under the state Aeronautics Code. Aeronautics administrative and regulatory costs are funded through the Transportation appropriations act. Airport Improvement Program projects, which are funded from federal grants as well as SAF and local matching funds, are authorized through Capital Outlay appropriations.

The SAF is funded primarily through aviation fuel taxes and aircraft registration fees—estimated to be $8 million for FY 2002-03. In addition, in FY 2002-03 the SAF will begin to receive revenue from an earmark of Airport Parking Tax revenue. The earmark of $6 million per year was effected through enactment of 2002 PA 680 (HB 4454) which amended 1987 PA 248, the Airport Parking Tax Act. Public Act 680 requires that these funds be used exclusively for safety and security projects at state airports, including reimbursement of the CTF for debt service on bonds issued for airport safety and security projects. The effective date of the PA 680 amendment is March 31, 2003.

At the end of the fiscal year, unspent SAF funds lapse back into the SAF balance and are available for appropriation in subsequent fiscal years for aeronautics programs.

Other Transportation Funds

- **Transportation Economic Development Fund (TEDF)**[11]

  This fund was created in 1987, through 1987 PA 231 (MCL 247.901), to assist in financing road and street projects in support of economic growth. The TEDF is funded, in part, from a distribution from the MTF in accordance with 1951 PA 51 ($36,775,000 plus an additional $3,500,000 dedicated to Targeted Industries). In addition, the fund receives a portion of drivers' license fees (approximately $13 million per year).

  TEDF funds do not lapse, but are carried forward in the fund for eligible transportation economic development projects.

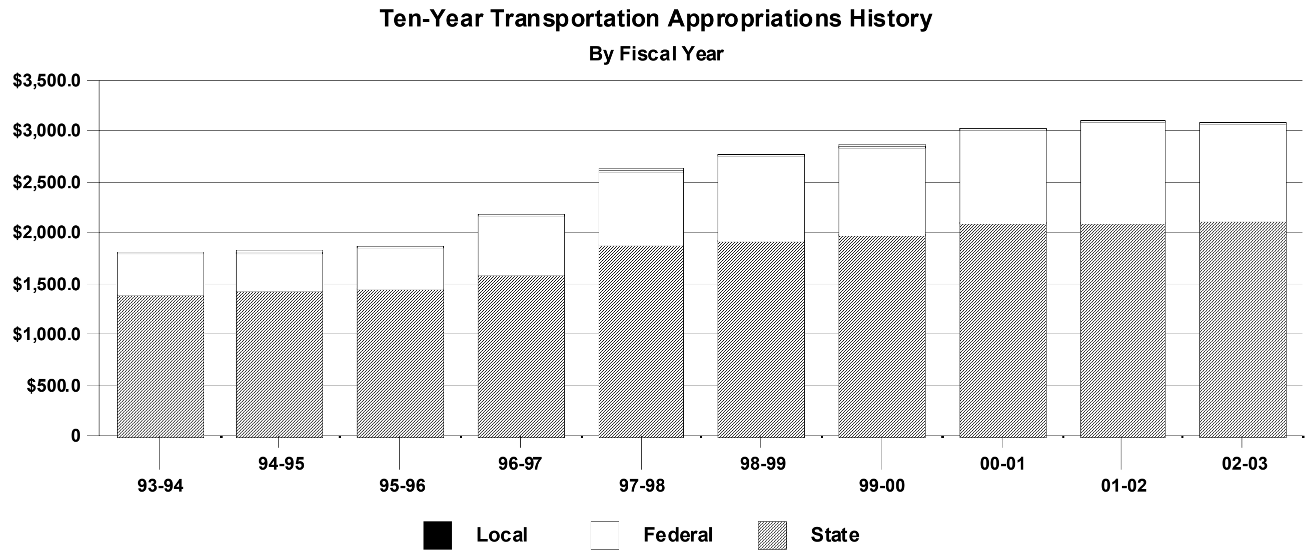
- **Critical Bridge Fund**

  A subsidiary fund of the STF, the Critical Bridge Fund is used to account for funds dedicated to the Critical Bridge Program established by Section 11b of Act 51. As provided in Act 51, the Critical Bridge Fund receives an annual $5 million earmark of MTF revenue.

[11] The abbreviation EDF is also used for this fund.

- **Blue Water Bridge Fund (BWBF)**

  A subsidiary fund of the STF, the Blue Water Bridge Fund is used to account for debt service, loan repayments, and operating costs of the Blue Water Bridge. The BWBF revenue comes primarily from bridge tolls and the lease of the plaza space.



Appendix C

Revenue History

The FY 2002-03 state transportation budget of $3.1 billion is over $1.2 billion more than the FY 1993-94 budget—an increase of 71% in the ten-year period.

There are two significant causes for this increase:

- In July 1997, in response to widespread public concern over the quality of Michigan roads, the state Legislature passed a transportation funding package which included a 4-cent per gallon gas tax increase, and increases to commercial truck registration fees. This funding package added over $200 million per year for Michigan transportation.

- In June of 1998, Congress enacted TEA-21—the reauthorization of federal aid for transportation programs. The Transportation Equity Act for the 21st Century (TEA-21) increased total federal funding for state transportation programs and for Michigan's share of those programs. Between FY 1993-94 and 1996-97, Michigan's share of federal transportation funds averaged $440 million per year. During the four years following the enactment of TEA-21, FY 1997-98 to FY 2000-01, Michigan's share of federal transportation funds averaged $840 million per year—an annual average increase of $400 million.

At the same time transportation revenue was increasing, the number of MDOT employees was reduced from 3,838 full-time equated positions in 1994 to 3,075 in 2003. This decrease was primarily due to early retirement programs in FY 1997-98 and FY 2001-02.

Appendix D

Transportation Funding: Legislative History 1992–2002

This section reviews significant legislative changes to Act 51 and to other acts affecting transportation funding since 1992—the year the first "Build Michigan" program was enacted. The section is divided into five subsections:

- Build Michigan (1992)
- Build Michigan II (1997)
- PA 308 of 1998—Act 51 Study Committee Recommendations
- Build Michigan III (2000)
- Other Legislative Actions (2000–2002)

Build Michigan

In 1992, many believed that state restricted transportation revenue (from motor fuel taxes and vehicle registration fees) was not sufficient to maintain the state's road systems. However, there was not enough political support for a fuel tax increase. Build Michigan involved the sale of $253.6 million in bonds. The bond proceeds were used primarily to match federal aid for state trunkline construction projects. Approximately $30 million of bond proceeds were used for local critical bridge projects. Authorization for this bond program was made through an amendment to Act 51—1992 PA 224 (SB 803).

Build Michigan also raised additional revenue for the MTF through a change in the collection point of the motor fuel excise taxes. Under the previous method of taxation, the Motor Fuel Tax on gasoline and diesel fuel was collected from retailers (truck stops and services stations). Public Act 225 of 1992 (SB 843) made fuel suppliers the sole collection point for the tax on gasoline, and the collection point for a portion of the tax on diesel fuel.

At the same time, Act 51 was amended by 1992 PA 223 (SB 802) to direct this additional revenue—estimated at $33 million per year—to local road agencies (county road commissions and cities and villages) through creation of the Local Program Fund earmark. An additional $45 million per year was appropriated for the Local Program Fund from the STF for FY 1992-93, FY 1993-94, and FY 1994-95. Public Act 223 also extended the MTF formula sunset to September 30, 1998.

Build Michigan II

This 1997 transportation program involved several legislative actions:

- **Public Act 83 of 1997** (HB 4872)

  Increased the gasoline excise tax by 4 cents—from 15 to 19 cents per gallon. This increase was effective August 1, 1997. Public Act 83 also reduced the "evaporation allowance" given to suppliers in computing the tax. The 4-cent per gallon gas tax increase generates approximately $200.0 million per year in additional state transportation revenue.

- **Public Act 80 of 1997** (SB 581)

  Increased commercial truck registration fees by 30% within each weight class, increased fees for oversized and overweight vehicles, and provided that registration fees for commercial vans and pickups be based on the list price of the vehicle rather than on gross vehicle weight. These changes were initially estimated to increase transportation revenue by $44.9 million.[12]

- **Public Act 79 of 1997** (SB 303)

  Amended the Act 51 MTF distribution formula to earmark 1 cent of the 4-cent gas tax increase to state trunkline bridges, and the remaining 3 cents of the gas tax increase to the MTF balance for distribution to the state (39.1%), county road commissions (39.1%), and cities and villages (21.8%). Public Act 79 added a $43 million earmark from the MTF for STF debt service, and a $3.5 million earmark from the MTF to the Transportation Economic Development Fund for the Target Industries program ("category A").

  Public Act 79 also authorized the FY 1996-97 supplemental appropriation of $20 million from the MTF to the STF, county road commissions, and cities and villages (bypassing the CTF). The appropriation was made in 1997 PA 108 (SB 302).

  Public Act 79 made a number of other amendments to Act 51, including provisions regarding pavement management systems, life cycle cost analysis, small and minority business assistance, the phase-out of certain MTF grants to other state departments, pavement warranties, appropriation of CTF funds, local bus operating assistance, performance audits of local road agencies, and limitations on administrative costs.

- **Public Act 110 of 1997** (SB 225)

  Amended the Management and Budget Act to appropriate $69 million from the Budget Stabilization Fund for distribution to the state, county road commissions, and cities and villages according the 39.1%, 39.1%, 21.8 % formula.

- **Public Act 117 of 1997** (SB 174)

  The enacted FY 1997-98 Transportation budget appropriated $50 million from the Comprehensive Transportation Fund (CTF) balance—including $25 million for distribution to the state, county road commissions, and cities and villages for road programs through the 39.1%, 39.1%, 21.8% formula. Comprehensive Transportation Fund monies are generally reserved for public transportation.

  The Governor's road "rationalization" proposal, which would have had the state take over jurisdiction of some roads from local road agencies, was not adopted.

  There was no bonding associated with Build Michigan II as originally proposed and enacted. In June 2001, however, the State Transportation Commission authorized the sale of $400 million in federal revenue anticipation notes ("GARVEE notes"). The Official Statement for the note sale indicated that the bonds would be used to

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[12] Based on a July 23, 1997, House Fiscal Agency analysis of the Fiscal Impact of the 1997 Transportation Package.

"advance and accelerate the completion of the Build Michigan II highway program." The sale of these notes was completed in July 2001.

PA 308 of 1998 (SB 1156)

Act 51 Study Committee Recommendations

Public Act 308 of 1998 extended the Act 51 funding formula sunset to September 30, 2000, and it added Section 10o(1) to require that an average of 25% of federal highway funds, excluding certain program categories, be allocated to local road agencies.

Public Act 308 also established an Act 51 study committee to "review transportation funding options, transportation investment priorities, and potential strategies for maximizing returns on transportation investments." The act also required that the committee report to the governor, the state transportation commission, and the legislature "on the identified needs including economic development needs, transportation funding options, historical transportation financing patterns as they relate to statewide fiscal resources, and strategies for maximizing the returns on transportation investments."

The Transportation Funding Study Committee was appointed on February 17, 1999, and included four members of the Michigan Legislature (State Representatives Rick Johnson and Thomas Kelly and State Senators Phillip Hoffman and Joe Young, Jr.) as well as five non-legislative members. The Study Committee submitted its final recommendations in a letter dated May 19, 2000. With the exception of Senator Joe Young, Jr., all Study Committee members signed the recommendation letter. Senator Young submitted a minority report.[13]

Asset Management

The Act 51 Funding Study Committee report did not recommend revisions to either the "external" formula, which distributes MTF funds between the state and local road agencies, or the "internal" formula, which determines how the local share of the MTF is distributed to particular local road agencies. Instead, the report recommended that "a long-term, planned asset management process be extended to statewide use for transportation facilities."

The Study Committee recommended that the current Act 51 MTF and federal aid distribution formula not be changed "until implementation of an asset management process, which may result in future distribution changes." The recommendation continues: "While not proposing a specific formula revision at this time, we recognize that a proposed asset management-based formula could result in a funding distribution which focuses on the function or use of a road, while taking into account the base level of funding needed for routine maintenance."

Twelve additional recommendations related to implementation of a statewide transportation asset management process were made by the Study Committee.

Public Act 499 of 2002 (HB 5396) established a Transportation Asset Management Council within the State Transportation Commission. Under Act 499, the Asset Management

[13] The minority report can be found at http://www.senate.state.mi.us/dem/sd01/minorityreport.html. The Study Committee's recommendations are contained in a report dated June 1, 2000, entitled "Transportation Funding for the 21st Century." See http://www.mdot.state.mi.us/ACT51/finalreports/index.htm for the complete report.

Council is charged with "advising the commission on a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy beginning with the federal-aid eligible highway system." The focus of the Council's activity will be the federal-aid eligible highway system. This represents almost all of the state trunkline system (9,716 miles) as well as over 23,000 miles of roads under the jurisdiction of local road agencies.

The Act requires that starting on October 1, 2003, all state road agencies prepare and publish an annual multi-year program, based on long-range plans and developed through the use of the asset management process described by the Act. The Act also requires that the Council report to the State Transportation Commission, the Legislature, and the House and Senate committees on transportation by May 2 of each year.

The Council was appointed by the State Transportation Commission in September of 2002. The Council is comprised of ten voting members: two each from the County Road Association, the Michigan Municipal League, state planning and development regions, and the Department. The Michigan Townships Association and the Michigan Association of Counties have one member each.

The Asset Management Council met for the first time on October 8, 2002, and approved a work program in January 2003. The work program was approved by the State Transportation Commission in February 2003. In May 2003, the Council issued its first Annual Report.

Build Michigan III

Program Description

In his January 2000 state-of-the-state message, Governor Engler outlined a proposed road improvement program. Build Michigan III was subsequently identified as a program of 60 highway projects located throughout the state. These projects were selected by the Michigan Department of Transportation in cooperation with the Michigan Economic Development Corporation to meet current economic development needs, or to address congestion or safety concerns. The State Transportation Commission approved the list of projects in October 2000.[14]

The estimated total cost of Build Michigan III projects was identified as $981.9 million. Funding for the program was to be provided by a $100 million transfer from the Countercyclical Budget and Economic Stabilization Fund (BSF) to the State Trunkline Fund (STF), approximately $100 million in local funds, and through the sale of up to $900 million in state transportation revenue bonds.

As originally proposed, debt service on Build Michigan III bonds was to be provided from three sources:

- An annual $35 million appropriation from the BSF for a period of 16 years (fiscal years 2001 to 2016)

[14] This list was subsequently amended by the Commission in March 2002.

- $8 million in additional revenue from proposed changes in the diesel fuel taxes

- $5 million from the Target Industries (Category A) of the Transportation Economic Development Fund (TEDF)

Additional Build Michigan III debt service would come from a redirection of STF funds. Build Michigan III effectively borrows against future STF revenue in order to accelerate certain projects—such as the M-6 project in Grand Rapids and the design phase of I-94 in Detroit. For these projects, Build Michigan III did not use new revenue; it simply shifted anticipated revenue forward into the current year through bonding.

The projects did not involve the use of federal funding. Most Build Michigan III projects would have been eligible for federal funding—had sufficient federal funding been available.

Legislative History

Parts of the Build Michigan III legislative program were enacted:

The proposed $100 million transfer from the BSF to the STF was made at the end of the FY 1999-2000 fiscal year and was appropriated from the STF for Build Michigan III projects. This transfer was authorized by 2000 PA 189 (SB 1275) which amended Section 358 of the Management and Budget Act (MCL 18.1358), and through boilerplate section 602 of FY 1999-2000 supplemental appropriations act 2000 PA 292 (SB 968).

PA 189 of 2000 also provided for an annual $35 million appropriation from the BSF to the STF for a 16-year period starting in FY 2000-2001 and continuing through the fiscal year ending September 30, 2016. This transfer from the BSF to the STF was made in two fiscal years—FY 2000-01 and FY 2001-02 . However, because of a shortfall in state GF/GP revenue, the $35 million appropriation was suspended for FY 2002-03 by 2002 PA 504 (HB 5883). The House Fiscal Agency estimates that the BSF balance will be $0 at the end of FY 2002-03 and FY 2003-04. As a result, it is unlikely that there will be a sufficient balance in the BSF to reinstate this appropriation in the near future.

Build Michigan III - Current Status

On October 26, 2000, the State Transportation Commission authorized the Department to begin the process of issuing up to $900 million in STF bonds for the Build Michigan III program. The Department made an initial sale of $308.2 million in Build Michigan III bonds in July 2001—approximately 1/3 of the amount authorized. Since then, the Department has not offered additional Build Michigan III bonds for sale. Whether the Department will proceed with additional Build Michigan III bond sales will depend on project cash flow needs, bond markets, revenue projections, and whether or not the Granholm administration wishes to proceed with the program.

Build Michigan III and Preserve First

On January 32, 2003, Governor Granholm announced the deferral of four Build Michigan III capacity improvement projects. On April 7, 2003, the Department indicated that 34 capacity improvement projects, including the four announced by the Governor, would be deferred.[15] In effect, all capacity improvement projects not already under contract would be deferred until the Department believes it can meet and sustain its stated goal of 95% of freeways and 85% of non-freeway trunklines in "good" condition by 2007.

Work on projects where environmental clearance, design work, or right of way acquisition is currently under way, would continue. But the Department would defer advancing those projects to subsequent phases, including the construction phase.

Of the 34 deferred projects, most involved lane widening, or the construction or reconstruction of expressway interchanges. Only two appeared to involve new highway construction (US-31, Holland to Grand Haven; US-131, St. Joseph County). The Department indicated that it would proceed with preservation components of three projects: the Ambassador Bridge Gateway project (I-75 and I-96 at the Ambassador Bridge) in Detroit, the I-696 at Franklin Road project in Oakland County, and the I-96 at 36th Street project in Kent County. However, the capacity improvement elements of those projects would be deferred.

Thirteen of the deferred projects were part of the Build Michigan III program. That is to say, at least some phase of the project had been previously identified as a Build Michigan III project.

Other Legislative Actions Affecting Transportation Funding—2000 through 2002

Amendments to Act 51

PA 188 of 2000 (SB 1274)

Amended Act 51 by adding repealing the sunset date for the Act's MTF distribution formulas; the current formulas will continue indefinitely unless amended by statute. In addition, PA 188 clarified language regarding the fund source for the Local Program Fund.

PA 259 of 2001 (SB 563)

Amended Act 51 by adding new Section 1i. This section permits the Department to conduct not more than four pavement demonstration projects—notwithstanding life cycle cost analysis. The act requires an annual report to legislature by February 1st of each year.

PA 498 of 2002 (HB 5383)

Amended the definitions section of Act 51 (10c) to provide a uniform definition of "maintenance" and "preservation." The act also changes a number of references in Act 51 from "maintenance" to "preservation."

PA 499 of 2002 (HB 5396)

Amended Act 51 to provide for the creation of an Asset Management Council within

[15] The Department's press release describes 34 separate projects. However, in many cases these projects are comprised of several phases or elements, each of which is shown separately on the Department's Road and Bridge Program documents. The Department subsequently identified 49 separate project work phases which would be deferred in the Preserve First initiative.

the State Transportation Commission. This Asset Management Council is described in detail in the discussion of 1998 PA 308 above.

PA 639 of 2002 (HB 6523)

Amended Section 11 of Act 51 to expand permitted uses of the rail grade crossing account, including increasing the amounts which may be paid to local road agencies for closure of grade crossings.

Amendments to Diesel Fuel Taxes

In December 2002 the Legislature passed, and the Governor signed into law a three-bill package which simplified the collection of diesel motor fuel taxes in Michigan:

PA 667 of 2002 (HB 5734)

Amended the Motor Carrier Fuel Tax Act

PA 668 of 2002 (HB 5735)

Amended the Motor Fuel Tax Act

PA 669 of 2002 (HB 5736)

Amended the Use Tax Act

The bills only change the method for assessing and collecting diesel motor fuel taxes. The effective tax rate for diesel fuel purchased or consumed in Michigan remained at 15 cents per gallon. Language in the bills as introduced which would have increased the rate to 19 cents per gallon—the same tax rate as for gasoline purchases—was stripped from the bills. In addition, HB 5733, which would have amended Act 51 to earmark diesel motor fuel tax revenue to a new commercial highway fund was not reported from committee. For an analysis of the fiscal impacts of the diesel fuel tax package, see the House Fiscal Agency analysis of HB 5734 (2001-2002 Regular Legislative Session) at the Michigan Legislature website http://www.michiganlegislature.org.

Public Act 51 of 1951—Outline Summary

Article IX, Section 9 of the Michigan Constitution dedicates motor fuel excise taxes and vehicle registration fees to transportation purposes. Act 51 allocates these revenues to specific transportation funds and programs.

Public Act 51 of 1951:

- Establishes principal state transportation programs
- Creates three special revenue funds (MTF, STF, and CTF) and prescribes how funds are to be distributed
- Provides a number of legislative requirements with regard to state and local transportation programs

The following table provides an outline summary of some provisions of 1951 PA 51 which, in the judgement of the House Fiscal Agency analyst, are of particular significance and/or ongoing interest and concern to state legislators. It is not intended as a comprehensive index to Act 51. The table recognizes amendments through 2002 PA 639 and identifies the section numbers as they appear in the act. Corresponding sections of the Michigan Compiled Laws begin with Section 247.651.

Public Act 51 of 1951—General Provisions

Section	Subject	Description	Notes
1-9	Establishes system of road jurisdiction and classification	Provides for identification of state trunkline highway system; county primary and local roads; city/village major and local streets Also see Sec 12c below	Other statutes governing establishment and jurisdiction of the state highway system (including jurisdictional transfers) are: 1909 PA 203, 1925 PA 12, and 1969 PA 296
1c	Requires city/ village participation in construction cost of state trunklines within city/village limits	Provides a sliding scale based on population for city/village share of costs not reimbursed by federal aid	This is the basis for $5 million in local funds appropriated in state transportation budgets
1g	Pavement Management System (PMS)	Requires Department to develop PMS on National Highway System	Added by 1997 PA 79
1h	Life cycle cost analysis	Requires Department to develop and implement life cycle cost analysis for pavement projects over $1 million, and design and award paving projects utilizing material having the lowest life cycle cost	Added by 1997 PA 79
1i	Pavement demonstration projects	Permits the Department to conduct not more than four pavement demonstration projects—notwithstanding life cycle cost analysis; requires an annual report to Legislature by February 1 of each year	Added by 2001 PA 259
9a	Asset Management Council	Provides for an asset management council within the State Transportation Commission with the charge of advising the Commission on a statewide asset management strategy—beginning with the federal aid system; requires an annual report to the Legislature by May 2 of each year	Added by 2002 PA 499; Asset Management Council appointed by State Transportation Commission in September 2002
9b	MBE program	Provides for Minority Business Enterprise (MBE) program	
10(2)	Small business enterprise and empowerment zones	Requires state to develop programs to assist small businesses in qualifying to bid	
10(3)	Federal funds earmarked for Transportation Economic Development Fund (TEDF)	Earmarks 31.5% of federal Minimum Guarantee funds to TEDF	16.5% rural counties; 15.0% urban counties
10c	Definitions	Provides definitions of terms used in the act including definitions of "preservation" and "maintenance"	Definitions of "preservation" and "maintenance" added by 2002 PA 498

Public Act 51 of 1951—General Provisions

Section	Subject	Description	Notes
10o	Federal aid allocation to local road agencies	Requires 25% average allocation of federal funds to local road agencies; excludes certain programs, e.g., federal bridge funds; requires that allocation percentage be adjusted to reflect voluntary agreements between Department and local jurisdictions regarding state buyout of federal aid	Language added by 1998 PA 308 (SB 1156), and amended by 2000 PA 188 (SB 1274)
11c	Competitive bidding	Requires competitive bidding for construction or preservation contracts over $100,000; permits Department to use some other method if found to be in the public interest; includes reporting requirement	
12(21) and 13(11)	Audits	Requires Treasury performance audits of local road agencies	Added by 1997 PA 79
12c	County primary roads within city or village limits	Provides for transfer process	Jurisdictional transfers also subject of 1969 PA 296
13a	Advance purchase of right of way	Permits right-of-way acquisition in advance of construction programming; requires that revenue from rental or sale of property so acquired be expended for highway purposes	
14	Local road agencies; biennial plans and separate accounting	Requires biennial primary and major street programs based on long-range plans; requires separate accounting of road and street funds and annual report to the Department; permits use of funds raised by counties or townships for county local road system	
14a	Drain assessments	Requires assessments to Department or county road commissions to be based on pro-rata share of storm water	
15	Local road agencies, Act 51 report	Requires county road commissions, cities, and villages to file annual report showing distribution of MTF funds	Additional reporting requirements regarding roads within townships added by 1999 PA 50
15a	Intergovernmental highway corridor planning	Provides for establishment of committees, where applicable, for the purpose of developing corridor plans	Added by 1997 PA 79
15b	Mowing	Provides mowing requirements	Added by 1997 PA 79
16	Forfeiture of funds	Provides for forfeiture if funds are not applied within one year	

Public Act 51 of 1951—General Provisions

Section	***Subject***	***Description***	***Notes***
17	MTF; monthly distribution and reporting	Provides for monthly distribution of MTF revenue to road agencies; requires Department to furnish report on MTF revenues and distribution	Report due 120 days after end of fiscal year
17a	Office of Commission Audits	Establishes internal audit function	
18a through 18l	Bonding	Provides bonding authority to State Transportation Commission payable from state restricted transportation revenue—not general obligations of the state; bonds may be issued in anticipation of federal revenue; 18k requires that State Transportation Commission provide House and Senate Appropriations Committees with a list of bond projects 30 days prior to issuance of bonds	Total bond amount limited by debt service; may not exceed 50% of constitutionally restricted transportation revenue
18d	Contracts between road agencies	Provides for contracts between road agencies for highway construction or reconstruction	Many local agency construction projects are administered by the Department through contracts with local road agencies
19	County road system	Requires that county road commissions complete takeover of public roads outside cities and villages within one year of the effective date of the act	No roads are currently under township jurisdiction
20	Township contributions	Provides for township contributions for county roads within townships or widening of state trunklines within township	Allows up to six mills
20a	Township maintenance of county roads	Provides that townships may contract for maintenance of county local roads within township	In counties with population >500,000; in townships with populations >40,000
25	Truck Safety Fund	Provides for Truck Safety Fund administered by the Office of Highway Safety Planning within the Department of State Police	Added by 1988 PA 348

Public Act 51 of 1951 – Michigan Transportation Fund (MTF)

Section	***Subject***	***Description***	***Notes***
10(1)	Establishes MTF	MTF is collection/distribution fund for motor fuel taxes and vehicle registration fees	MTF represents 90% of state transportation revenues
10(1)	Allows necessary administrative expenses from MTF	Requires appropriation of necessary expenses of administration and enforcement—based on established cost allocation methods, actual costs	Requires phase out of MTF grants to certain state departments by FY 2000-01
MTF Distribution Formula			
10(1)(a)	$3,000,000 (maximum)	Rail grade crossing account by way of STF	Section 11(1) requires from 30% to 50% for state trunkline projects
10(1)(b)	$3,000,000 (minimum)	Critical bridge (debt)	See 11b
10(1)(c)	$.03 of gas tax	STF, counties, cities and villages through formula distribution	Approximately $150 million
10(1)(d)	$.01 of gas tax	For state bridges by way of STF	Approximately $50 million
10(1)(e)	$43,000,000	STF debt service	
10(1)(f)	10% to CTF	Provision for distribution provided in Section 10e	Estimated $162.4 million in FY 2002-03
10(1)(g)	$36,775,000	Transportation Economic Development Fund by way of STF	First priority for debt service
10(1)(g)	$3,500,000	Transportation Economic Development Fund by way of STF	Designated for targeted industries
10(1)(h) and 11e	$33,000,000	Local Program Fund	64.2% counties; 35.8% cities/villages; language clarified by 2000 PA 188 (SB 1274)
11b	$5,000,000	Critical Bridge Fund	38.4% maximum for state trunklines (currently treated as a 100% local program)
10(1)(l)	MTF Balance	Formula distribution for MTF revenue after statutory deductions: 39.1% STF, 39.1% counties, 21.8% cities and villages	Not less than 1% to non-motorized per Sec. 10k; adjusted for jurisdictional transfers per Sec. 10a
12, 12a, 12b, 13	MTF Distribution to Local Road Agencies	Provides internal formula for distribution of MTF revenue to county road commissions, cities and villages	Includes provision for snow payments

Section	***Subject***	***Description***	***Notes***
10b	Establishes CTF	Provides for CTF funding from MTF (See Section 10(1)(f), as well as certain Sales Tax Act revenue	
CTF Funding Priorities			
10e(2)	Bond payments		
10e(3)	Administration	Department's costs of CTF administration	
10e(4) (a)	Local bus operating	Up to 50% for "urban" systems (populations >100,000); up to 60% for "non-urban" systems (populations <100,000); not less than 50% for ferry service; guarantees funding at 1997 levels	Transit agencies must offer preferential fares for elderly and persons with disabilities
10e(4) (b)	Intercity passenger/freight	10% minimum	
10e(4) (c)(I)	Specialized services	$3,600,000 (minimum)	Services designed for elderly and persons with disabilities
10e(4) (c)(ii)	Local bus capital	$8,000,000 (minimum)	May be used for matching federal funds
10e(4) (c)(iii)	Local bus; new service	No specified amount	
10e(4) (c)(iv)	Municipal credit; see 10l	$2,000,000 (minimum)	Plus $2 million from RTCC bus operating to municipalities in SMART/DDOT region; distributed based on population
10e(4) (c)(v)	Public transit development	No specified amount	
10e(4) (c)(vi)	Other public transit as approved by commission	No specified amount	
10e(22)	CTF balance	Appropriates CTF balance if greater than $50 million for local bus capital	

Public Act 51 of 1951 – State Trunkline Fund (STF)

Section	***Subject***	***Description***	***Notes***
11(1)	Establishes STF		
11(1)	Fund priorities	Bonds, TEDF, rail crossing, operating expense, preservation, construction/reconstruction	
11(1)(c)	Rail grade crossing account	Defines program; funding provided from annual $5 million MTF grant	PA 639 of 2002 amended this section to broaden permitted uses of funds, and increased incentives for crossing closures
11(2)	90% for preservation	Requires that 90% of STF funds after certain exclusions be expended for preservation of road system—effectively a limitation on new construction	
11(2)	Warranties on construction	Requires five-year minimum warranties on state trunkline construction projects where possible	Added by 1997 PA 79
11(11)	Administration limit	Limits MDOT's administrative expense to 10% of funds received	

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History, Arts, and Libraries–Judiciary–Military and Veterans Affairs–Natural Resources–
Retirement–Revenue and Tax Analysis–State Police–Supplementals–Transfers–
Bill Analysis . . . . Julie Stapelman, Budget Assistant
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